September 9, 1998

Members of the State Budget and Control Board
State of South Carolina
Columbia, South Carolina

This report resulting from the application of certain agreed-upon procedures to certain accounting records of the South Carolina Office of the State Auditor for the fiscal year ended June 30, 1998, was issued by Finch, Hamilton & Co., LLC, Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

Edgar A. Vaughn, Jr., CPA
State Auditor

EAV/tdc
INDEPENDENT ACCOUNTANTS' REPORT
ON
AGREED-UPON PROCEDURES

SOUTH CAROLINA OFFICE OF THE STATE AUDITOR
Columbia, South Carolina

Year Ended June 30, 1998
<table>
<thead>
<tr>
<th>TABLE OF CONTENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Accountants' Report on Agreed-Upon Procedures .............................................. Page 3 - 4</td>
</tr>
<tr>
<td>Schedule of Expenditures - Budget and Actual - Budgetary General Fund - For the Year Ended June 30, 1998 .................................................................................................................. 5</td>
</tr>
<tr>
<td>Notes to Schedule ..................................................................................................................... 6 - 7</td>
</tr>
</tbody>
</table>
INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES

Mr. Edgar A. Vaughn, Jr., CPA, State Auditor
State of South Carolina
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Office of the State Auditor, solely to assist you in evaluating the performance of the South Carolina Office of the State Auditor in the areas addressed for the fiscal year ended June 30, 1998. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the reports. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures and associated findings are as follows:

1. We tested 100% of recorded receipts to determine if these receipts were properly described and classified in the accounting records; collection and retention or remittance were supported by law; and accounting procedures and internal accounting controls over the tested receipt transactions were adequate to provide proper control over these transactions. We found no exceptions as a result of the procedures.

2. We tested selected recorded non-payroll disbursements to determine if these disbursements were properly described and classified in the accounting records; were bona fide disbursements of the South Carolina Office of the State Auditor; and were paid in conformity with State laws and regulations and if accounting procedures and internal accounting controls over the tested disbursement transactions were adequate to provide proper control over these transactions. The items selected for testing were chosen randomly. The total of the selected items was 2 percent of the aggregate amount of all recorded non-payroll disbursements. We found no exceptions as a result of the procedures.

3. We tested selected recorded payroll disbursements to determine if the tested payroll and fringe benefits were properly described, classified, and distributed in the accounting records; persons on the payroll were bona fide employees; and payroll transactions including employee payroll deductions were properly authorized by the employees and were in accordance with existing legal requirements and if accounting procedures and internal accounting controls over the tested payroll transactions were adequate to provide proper control over these transactions. The items selected for testing were chosen randomly. The total of the selected items was 13 percent of the aggregate amount of our recorded payroll disbursements. We found no exceptions as a result of the procedures.

4. We obtained a copy of the accompanying June 30, 1998 schedule of expenditures - budget and
actual and notes thereto prepared by the South Carolina Office of the State Auditor and agreed
the amounts by line-item appropriation within budgetary fund category thereon to the
accounting records of the South Carolina Office of the State Auditor. We checked the schedule
and notes for mathematical accuracy. We found no exceptions as a result of the procedures.

5. We obtained all monthly reconciliations prepared by the South Carolina Office of the State
Auditor for the year ended June 30, 1998, and tested selected reconciliations of balances in the
South Carolina Office of the State Auditor’s accounting records to those in the State’s
accounting system (STARS) as reflected on the Comptroller General’s reports to determine if
they were accurate and complete. For the selected reconciliations, we recalculated the amounts,
agreed the applicable amounts to the South Carolina Office of the State Auditor’s general
ledger, agreed the applicable amounts to the STARS reports, determined that reconciling
differences were adequately explained and properly resolved, and determined that necessary
adjusting entries were made in the South Carolina Office of the State Auditor’s accounting
records or STARS. The reconciliations selected for testing were chosen randomly. We found
no exceptions as a result of the procedures.

6. We tested the South Carolina Office of the State Auditor’s compliance with all applicable
financial provisions of the South Carolina Code of Laws, Appropriation Act, and other laws,
rules, and regulations for the fiscal year 1998 by performing the applicable tests and procedures
listed on the State Auditor’s Office’s Appropriation Act 1998 work program. We found no
exceptions as a result of the procedures.

7. We obtained copies of closing packages as of and for the year ended June 30, 1998 except for
the Operating Lease and General Fixed Asset Closing Packages, prepared by the South Carolina
Office of the State Auditor and submitted to the State Comptroller General and reviewed them
to determine if they were prepared in accordance with the Comptroller General’s GAAP Closing
Procedures Manual; if the amounts were reasonable; and if they agreed with the supporting
workpapers and accounting records. We found no exceptions as a result of the procedures.

8. We were advised that the South Carolina Office of the State Auditor did not receive any Federal
Financial Assistance. As a result, we performed no procedures in this area.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression
of an opinion on the specified elements, accounts or items and on the effectiveness of the internal control
structure over financial reporting described in paragraph one through eight of this report. Accordingly, we do
not express such an opinion. Had we performed additional procedures, other matters might have come to our
attention that would have been reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by
those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for
their purposes. However, this report is a matter of public record and its distribution is not limited.

August 17, 1998

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
BUDGETARY GENERAL FUND

- 5 -
SOUTH CAROLINA OFFICE OF THE STATE AUDITOR

For the Year Ended June 30, 1998

<table>
<thead>
<tr>
<th>Legal Basis Budget</th>
<th>Actual on Budgetary Basis</th>
<th>Variance Favorable (Unfavorable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal services</td>
<td>$ 2,582,148</td>
<td>$ 2,363,039</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>591,117</td>
<td>528,398</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>1,112,054</td>
<td>962,346</td>
</tr>
<tr>
<td>Special item-Hotline operations</td>
<td>1,934</td>
<td>864</td>
</tr>
<tr>
<td>Total expenditures</td>
<td>$ 4,287,253</td>
<td>$ 3,854,647</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of this schedule.
NOTE 1 - BUDGET POLICY

The South Carolina Office of the State Auditor (the State Auditor), a budgetary unit of the State of South Carolina, is granted an annual appropriation for operating purposes by the General Assembly. The appropriation as enacted becomes the legal operating budget for the Office. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total funds. The Total Funds column in the Appropriation Act for each individual budgetary unit authorizes expenditures from all budgeted resources. A revenues budget is not adopted for individual budgetary units. The General Assembly enacts the budget through passage of line-item appropriations by program within budgetary unit within budgetary fund category, State General Fund, or other budgeted funds. Budgetary control is maintained at the line-item level of the budgetary entity. Agencies may process disbursement vouchers in the state's budgetary accounting system only if enough cash and appropriation authorization exist.

Transfers of funds may be approved by the State Budget and Control Board under its authority or by the agency as set forth in 1998 Appropriation Act Proviso 72.9. as follows: Agencies are authorized to transfer appropriations within programs and within the agency with notification to the Division of Budget and Analyses and the State Comptroller General. No such transfer may exceed twenty percent of the program budget. Transfers from personal services accounts or from other operating accounts may be restricted to any level set by the Board.

During the fiscal year-end closeout period in July, agencies may continue to charge vendor, interagency, and interfund payments to fiscal year 1998 appropriations. Any unexpended State General Fund monies as of June 30 automatically lapse to the General Fund of the State on July 31 unless authorization is received from the General Assembly to carry over funds to the ensuing fiscal year. State law does not require the use of encumbrance accounting.

State law does not precisely define the budgetary basis of accounting. The current Appropriation Act states that the General Assembly intends to appropriate all monies to operate state government for the current fiscal year. The state's annual budget is prepared primarily on the modified accrual basis of accounting with several exceptions, principally the cash basis for payroll expenditures.

The schedule of expenditures - budget and actual presents actual expenditures on the budgetary basis of accounting compared to the legally adopted and modified budget on a line-item expenditure basis. The level of legal control for each agency is reported in a publication of the State Comptroller General’s Office titled *A Detailed Report of Appropriations and Expenditures* for each fiscal year.
NOTES TO SCHEDULE
SOUTH CAROLINA OFFICE OF THE STATE AUDITOR
June 30, 1998

NOTE 2 - STATE APPROPRIATIONS

The following is a reconciliation of the 1998 Appropriation Act as originally enacted by the General Assembly to amounts available for the State Auditor's budgetary general fund expenditures as reported on the accompanying schedule of expenditures - budget and actual for the year ended June 30, 1998.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original appropriation</td>
<td>$3,962,527</td>
</tr>
<tr>
<td>1998 Appropriation Act Proviso 17C.13. -</td>
<td></td>
</tr>
<tr>
<td>Budget and Control Board appropriation increase for salaries and related fringe benefits for state employees</td>
<td>$54,536</td>
</tr>
<tr>
<td>Revised appropriation for FY 1998</td>
<td>$4,017,063</td>
</tr>
<tr>
<td>1998 Appropriation Act Proviso 72.44. -</td>
<td></td>
</tr>
<tr>
<td>Brought forward from prior fiscal year into current fiscal year</td>
<td>$270,190</td>
</tr>
</tbody>
</table>

Appropriation available for FY 1998 expenditures - legal basis expenditures $4,287,253